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Chief, Manufacturing Sector Branch, D/I

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Project 30.1535, Expansion of Plant Capacity in the Non-Food
Consumer Goods Industries in Communist China, 1953-62

1. This project evaluates Chinese plans for a major sector of industry and hence should contribute to the understanding of the aggregate performance of the Chinese economy. The methodology shows great familiarity with the problem and the estimates, though critical of Chinese plans, appear to be reasonable. In fact, the paper anticipates the recent Chinese admission of exuberance in the official estimate of 1958 cotton production.
2. Although essentially sound the project needs a certain amount of attention before it can be submitted for publication. It is not clear, for example, why the project develops over-all investment data for the sector for the 1st FYP, (p. 7) but makes no effort to follow up this background information with a comparable discussion of aggregate plans for the 2d FYP.
3. While development of the estimate of requirements for cotton spindles appears to be valid, the process would be much easier to understand if the discussion in Appendix B were supported by an over-all tabulation for the period, to strike a balance between original spindle inventory, additions by groups of years, retirement, replacement, and finally, the terminal capacity, in relation to estimated cotton availability.
4. The heart of the paper is the discussion of the availability of raw materials. Instead of emphasizing this problem, where appropriate throughout the discussion, and relating it to the various stages of development, it is given major treatment only in connection with the 2d FYP. This doesn't work too badly for the cotton industry, but it leads to excessive duplication for silk and wool. Repetitious passages are indicated in the attached notes.
5. It is my belief that these questions can be taken care of by a few days of close attention. I shall of course be happy to discuss any problems with you and Wally at your convenience.

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Attachment

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Notes on Project 30.1535

P. 1, para. 2, 1st sent.

Show comparative value in \$ at official rate, with critical evaluation if desired, as per ERA regulations.

P. 2, 1st para.

Use of a topical paragraph in this Summary is not recommended. Turn first sentence of para. 2 around and say: Of the non-food consumer goods industries, the cotton textile industry was the most important. This does what para. 1 did but more briefly and a bit more subtly.

P. 4

Excessive use of "it is believed."

P. 5, para. 2

Note that the expression "basic necessities" includes textiles and therefore differs from the Chinese use in para. 1 above.

Pp. 6-7, continued para.

Repetitive.

P. 7, 1st full para.

"Need" is ambiguous. Note suggested changes in text.

P. 7, last para.

Some transition is needed, but this one is somewhat awkward, particularly the last 2 sentences. Using the historical present instead of the future tense helps a little, but it requires additional attention.

P. 9, Tabulation

Document source. Consider converting to graphic presentation.

Pp. 9-10, continued para.

Source.

Repetitious. Tighten up, combining short sentences.

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Notes (continued)

Pp. 11-13

Table 3 accounts for only 1,694,700 spindles of the 2,010,000 additions to capacity shown on p. 10. Do we know whether the allocation of the residual was similar to that of the reported sample? A note on this subject is needed.

P. 13, 1st 2 paras.

Topical and repetitious. Combine and eliminate duplication.

P. 15a, Table 1

Source for supply data. Also, Appendix B does not adequately tell how the estimates for machine made yarn were derived. Thus, dividing 1957 production of 844,000 MT of yarn by .939 conversion factor from p. 83 gives 898,829 MT of cotton for machine made yarn instead of 896,000 MT shown in Table 1.

P. 17, 1st 2 paras.

Good estimating on your part! No doubt you will want to show how the Chinese have scaled down their 1958 claims. Have you seen their revised estimate that the 1959 crop will exceed that of 1958 by about 10%?

P. 19, top

Note insertions

P. 22, 2d para.

Basis for loom estimates?

P. 25, para. 3

Compare 3.5 million spindles to be built in 1958-59 with 3 million cited above, pp. 20-21.

Pp. 25-26

If 12-13 million spindles are produced in 1958-63, won't this lead to the following balance in million units:

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Notes (continued)

| | | |
|----------------------|----------|-----------------|
| Production (1958-63) | | 12-13 |
| Less | | |
| Exports | 1 | |
| Newly installed | | |
| maximum | 4 | |
| Replacement | 4 | |
| Total allocated | <u>4</u> | |
| Surplus | | $\frac{9}{3-4}$ |
| Replacement of | | |
| remaining pre-1949 | | |
| inventory | | $\frac{1}{2-3}$ |
| Minimum surplus | | |

How will the surplus be accounted for? By the way, how good is this Chinese equipment? Somewhere in the paper it should be evaluated. Can the cotton textile equipment plants build spindles for any other textile materials?

P. 25

Show source of 12-13 million spindles in 2d FYP.

Pp. 13-26

Are any data available on the planned cost of 2d FYP investments in the cotton textile industry? If so, is there any quick way to figure the savings if new spindle construction is cut back from 3 million to 4 million?

P. 30, para. 2

Source 1962 cocoon production plan.

P. 30, last para.

Repetitious and ambiguous. Note suggested change.

P. 31, para. 1

Repeats Pp. 27-30.

P. 28

Is annual production of tussah silk known? What is its annual output in comparison to mulberry silk? Cf. P. 33 n. Give some idea of comparative size on p. 28.

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Notes (continued)

Pp. 29-30, C. 1

Belongs under B, pp. 28-29, since it refers to 1st FYP.

Pp. 36-39

Discussion of spindle capacity is somewhat scattered. Add a tabulation showing actual and planned capacity for such years as available, preferably on p. 36. This should facilitate simplifying the text and eliminating some repetition.

Pp. 37-38, C. 1, Basic conditions

Repeats A and B. Move back and locate where pertinent.

P. 40, 8 11. up

How many million?

Pp. 40-42, 3. Availability of Wool

Now highly repetitive. Compare last para. p. 41 with p. 36, bottom para. Availability is basic. Move background information back to A, 1st FYP material to B, and leave only future plans in revised C.

Pp. 43-47

A good estimate.

P. 56, 1st full para.

Source.

Pp. 56-57

Suggest tabulating plan for clarity.

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